

Part 5

The Financial Case

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Appendix 5A

OB Forms 1-4

OUTLINE BUSINESS CASE FOR PREFERRED OPTION

COST FORM OB1

TRUST/ORGANISATION:	NHS Ayrshire & Arran	ORGANISATIONAL CODE:	
SCHEME:	North Ayrshire Community Hospital	DIRECTORATE:	
STRATEGIC HA:			
PHASE:	Option 2 - New Build at ACH and part Ailsa refurb		
PROJECT DIRECTOR:	John Scott		

CAPITAL COSTS SUMMARY

		Cost Excl. VAT £	VAT @ 20% (rebated at 9a.) £	Cost Incl. VAT £
1	(see Form OB2) - Currie & Brown Cost Plan 31/10/11.	41,243,024	8,248,605	49,491,628
2	On Costs (from Form OB3) Energy Centre and Communications allowances	5,967,000	1,193,400	7,160,400
3	Works Cost Total (1+2)	47,210,024	9,442,005	56,652,028
4	Inflation adjustments from 2011/12 to 2014/15 (b) (7% of Works Cost) 0.07	3,304,702	66,094	3,370,796
5	Sub Total (3+4)	50,514,725	9,508,099	60,022,824
6	Fees (see Form OB4) (c)	5,065,468	xxxxxxx	5,065,468
7	Non-Works Costs (from Form FB4) (e) LAND OTHER	150,000	xxxxxxx	150,000
8	Equipment Costs (from Form OB2)	833,333	166,667	999,999
9	Optimism Bias 0.087	4,921,027	984,205	5,905,232
9a	Adjust for VAT rebate		-109,854	-109,854
10	TOTAL (for approval purposes) (5+6+7+8+9)	61,484,552	10,549,117	72,033,669
11	Adjust for "Impairment" (f)			-3,551,669
12	FORECAST OUTTURN BUSINESS CASE TOTAL (10+11)	61,484,552	10,549,117	68,482,000

Proposed start on site (g)

Proposed completion date (g)

Cash Flow:- Year yy/yy	SOURCE			£
	EFL	OTHER GOVERNMENT	PRIVATE	TOTAL
2009/2010	2,356,000			2,356,000
2010/2011	832,000			832,000
2011/2012	330,000			330,000
2012/2013	2,774,000			2,774,000
2013/2014	23,517,000			23,517,000
2014/2015	28,070,000			28,070,000
2015/2016	10,603,000			10,603,000
Total Cost (as 12 above)				68,482,000

Total (for approval purposes) match against Cashflow

Notes :

- * Delete as appropriate
- (a) On-costs should be supported by a breakdown of the percentage or a brief description of their scope (form OB3 may be used if appropriate)
- (b) Estimate of tender price inflation up to new start date (from original 2011/12 **BCIS TPI 3Q'14 = 248 : 3Q'12 = 232**)
- (c) Fees include all resource costs associated with the scheme, excl legal fees.
- (d) Not applicable to professional fees - VAT reclaimable EL (90) P64 refers
- (e) Non-works costs should be supported by a breakdown & include such items as contributions to statutory & local authorities ; land costs & associated legal fees
- (f) Assumed Non Value Adding Element of Capital Costs
- (g) Overall timescale including any preliminary works

Name (capital)	JOHN SCOTT
Position	Programme Director
Address	Brunston House Ailsa Hospital Dalmellington road Ayr KA6 6AB
Telephone	01292 513021

Authorised for issue

Date

OUTLINE BUSINESS CASE FOR PREFERRED OPTION

COST FORM OB2

TRUST/ORGANISATION: NHS Ayrshire & Arran
 SCHEME: North Ayrshire Community Hospital
 PHASE: Option 2 - New Build at ACH and part Ailsa refurb
 PROJECT DIRECTOR: John Scott

CAPITAL COSTS: DEPARTMENTAL COSTS AND EQUIPMENT COSTS

Functional Content	Functional Units/Space Requirements (1)	N/A/C (2)	Cost Allowance Version	Equipment Cost Version
NHS Accommodation Schedule per Buchan Associates 26/10/2011				
Cost Plan by Currie & Brown (31/10/11)				
New Build (nett GIFA):				
2600 £/m2	14,333	N	37,265,800	833,333
Adapt "Horse-shoe" Sum		A	977,615	nil
Refurbish Ailsa:				
551.5 av £/m2	5,439	C	2,999,609	nil
Includes inflation to 2011/12 - original construction period.				
** Cost per M2 GIFA was assessed with help of previous data from NHS projects (see NHS Construction Cost Comparison spreadsheet), where average of £2,395 was updated to current price level using BCIS indices (+ 7%). In addition the construction cost of £2,600 / m2 compares favourably with projects being completed at present within Frameworks Scotland, and are deemed sufficiently robust to be achievable when subject to future competitive bids via market testing.				
Departmental Costs and Equipment Costs Carried Forward £			41,243,024	833,333

CAPITAL COSTS : DEPARTMENTAL COSTS AND EQUIPMENT COSTS

Functional Content	Functional Units/Space Requirements (1)	N/A/C (2)	Cost Allowance	Equipment Cost
Brought Forward			41,243,024	833,333
Departmental Costs and Equipment Costs Carried Forward £			41,243,024	833,333

Cost allowances should be based on Departmental Cost Allowances where appropriate and include allowances for essential complementary accommodation and optional accommodation and services where details not available.

Identify separately any proposed adjustment (over or under cost allowances) justifiable in value for money terms (details to be provided).

* Delete as appropriate

1. State area and rate if departmental cost allowance not available.
2. Insert:
 - N for new build.
 - A for adaption for alternative use or
 - C for upgrading existing building retaining current use.
3. Insert relevant version number of HCI listing of Departmental Cost Allowances and Equipment Cost allowances.
4. Provide details where appropriate.

Completed by

Name (capitals)	JOHN SCOTT
Position	Programme Director
Address	Brunston house
	Ailsa Hospital
	Dalmellington Road
	Ayr KA6 6AB
Telephone	01292 513021

Authorised for issue

Project Director

Date

31-Oct-11

TRUST/ORGANISATION: NHS Ayrshire & Arran
 SCHEME: North Ayrshire Community Hospital
 PHASE: Option 2 - New Build at ACH and part Ailsa refurb

CAPITAL COSTS: FEES AND NON-WORKS COSTS

	£	Percentage of Works Cost %
1 Fees (including "in-house" resource costs)		
a. Architects		
b. Structural Engineers		
c. Mechanical Engineers		
d. Electrical Engineers		
e. Quantity Surveyors		
f. Project Management		
g. Site Supervision		
h. CDM Co-ordinator		
	a-h included in sums below:	
	New Build	4,256,768
	Adapt ACH	117,314
	Refurb Ailsa	360,000
7%	<u>add</u> inflation to 2014	331,386
Total Fees to Summary (OB1)	£ <u>5,065,468</u>	<u> </u>

	£
2 Non-Works Costs	
a. Land purchase costs and associated legal fees	
b. Statutory and Local Authority charges (MISCELLANEOUS)	150,000
c. Other (specify)	
e.g. art works	
Non-Works Costs to Summary (OB1)	£ <u>150,000</u>

Notes:

* Delete as appropriate.

Completed by		Authorised for issue Project Director Date 31-Oct-11
Name (capitals)	JOHN SCOTT	
Position	Programme Director	
Address	Brunston House	
	Ailsa Hospital	
	Dalmellington road	
	Ayr KA6 6AB	
Telephone	01292 513021	

NHS Construction Cost Comparison
24th March 2009

All costs uplifted to IQ09

HISTORICAL DATA:

	ACAD 1		ACAD 2		Comm Hosp 1		Comm Hosp 2		Complex Needs 1		Medium Secure 1		Comm Hosp 3		Comm Hosp 4	
	£99,234,620.00		£78,512,460.00		£26,407,000.00		£17,600,150.00		£16,870,290.00		£16,054,090.00		£15,800,000.00		£14,886,190.00	
Uplift	2Q06 231		2Q06 231		3Q08 254		4Q06 232		4Q06 232		1Q06 228		3Q08 254		2Q09 261	
	1Q09 242		1Q09 242		1Q09 242		1Q09 242		1Q09 242		1Q09 242		1Q09 242		1Q09 242	
	4.76%	£4,725,458.10	4.76%	£3,738,688.57	-4.72%	-£1,247,574.80	4.31%	£758,627.16	4.31%	£727,167.67	6.14%	£985,777.46	-4.72%	-£746,456.69	-7.28%	-£1,083,669.00
	<u>£103,960,078.10</u>		<u>£82,251,148.57</u>		<u>£25,159,425.20</u>		<u>£18,358,777.16</u>		<u>£17,597,457.67</u>		<u>£17,039,867.46</u>		<u>£15,053,543.31</u>		<u>£13,802,521.00</u>	
GFA	(m2)	41,500	(m2)	27,835	(m2)	10,697	(m2)	9,057	(m2)	8,455	(m2)	6,022	(m2)	6,800	(m2)	6,300
	£/m2 GFA £2,505.06		£/m2 GFA £2,954.95		£/m2 GFA £2,352.01		£/m2 GFA £2,027.03		£/m2 GFA £2,081.31		£/m2 GFA £2,829.60		£/m2 GFA £2,213.76		£/m2 GFA £2,190.88	

Appendix 5B

Optimism Bias Assessment

NHS Ayrshire & Arran OBC

Scheme name: North Ayrshire Community Hospital

Optimism Bias Assessment

- Step 1 Calculate Upper bound [Go To Upper Bound Calc](#)
- Step 2 Assess the level of mitigation [Go To Mitigation](#)
- Step 3 Compute residual optimism bias

	Preferred Option - Financial case
Build Complexity	6.0%
Location	10.0%
Scope of Scheme	3.0%
Extent of Service Changes	10.0%
Gateway RPA Category	2.0%
Upper Bound	31.0%
Mitigation Factor	28.0%
Residual Optimism Bias	8.68%

Scheme name: North Ayrshire Community Hospital

Optimism Bias - Upper Bound Calculation for Build

Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	31%

Build complexity			
<i>Choose 1 category</i>			
Length of Build	< 2 years		0.50%
	2 to 4 years	x	2.00%
	Over 4 years		5.00%
2.00%			
<i>Choose 1 category</i>			
Number of phases	1 or 2 Phases		0.50%
	3 or 4 Phases	x	2.00%
	More than 4 Phases		5.00%
2.00%			
<i>Choose 1 Category</i>			
Number of sites involved (i.e. before and after change)	Single site*		2.00%
	2 Site	x	2.00%
	More than 2 site		5.00%
2.00%			
* Single site means new build is on same site as existing facilities			
Location			
<i>Choose 1 Category</i>			
New site - Green field	New build		3%
	New Build		8%
	New Build		5%
<i>or</i>			
Existing site	Less than 15% refurb		6%
	15% - 50% refurb	x	10%
	Over 50% refurb		16%
10.00%			
16.00%			

Scope of scheme			
<i>Choose 1 category</i>			
Facilities Management	Hard FM only or no FM	X	0.00%
	Hard and soft FM		2.00%
0.00%			
<i>Choose 1 category</i>			
Equipment	Group 1 & 2 only	x	0.50%
	major Medical equipment		1.50%
	All equipment included		5.00%
0.50%			
<i>Choose 1 category</i>			
IT	No IT implications		0.00%
	Infrastructure	X	1.50%
	Infrastructure & systems		5.00%
1.50%			
<i>Choose more than 1 category if applicable</i>			
External Stakeholders	1 or 2 local NHS organisations	X	1.00%
	3 or more NHS organisations		4.00%
	Universities/Private/Voluntary sector/Local government		8.00%
1.00%			
Service changes - relates to service delivery e.g NSF's			
<i>Choose 1 category</i>			
Stable environment, i.e. no change to service			5%
Identified changes not quantified			x 10%
Longer time frame service changes			20%
10.00%			
Gateway			
<i>Choose 1 category</i>			
RPA Score	Low		0%
	Medium	x	2%
	High		5%
2.00%			
15.00%			

Scheme name: North Ayrshire Community Hospital

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation	Explanation for rate of mitigation
Progress with Planning Approval	4	1	Planning will be have officers recommendation achieved for FBC submission to Board and full by submission to CIG.
Other Regulatory	4	2	Regulations will be taken account of in the developed solution but some issues may new regulations may be applied during the development of the scheme. Building Warrants first two stages will be approved. Fire, HSE, Transport Local Government Historic Scotland are all in hand.
Depth of surveying of site/ground information	3	0	Full survey information will be available at approval of the FBC
Detail of design	4	2	Clinical design will be complete at agreement of Target Cost. Technical design concepts will be fixed but some details design will remain to be undertaken
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	1	Project is not particularly innovative. Lessons have been learnt from a number of other similar schemes
Design complexity	4	1	Design is not particularly complex
Likely variations from Standard Contract	2	0	Contract will be standard Government document.
Design Team capabilities	3	1	Design team is experienced in this type of project
Contractors' capabilities (excluding design team covered above)	2	1	Contractor is experienced in this type of project
Contractor Involvement	2	0	Will be subject to engagement within NPD along with competitive dialogue.
Client capability and capacity (NB do not double count with design team capabilities)	6	3	Client has experience of developing schemes and has experienced advisors
Robustness of Output Specification	25	7	Output specification is signed off by Health Board and User Groups following detailed consultation
Involvement of Stakeholders, including Public and Patient Involvement	5	1	Stakeholders are involved in the scheme. Includes UCI etc.
Agreement to output specification by stakeholders	5	2	Stakeholders have signed off the output specification. Includes workstream meeting involvement.
New service or traditional	3	1	Reprovision of current service in new building
Local community consent	3	0	Local community support of the scheme, open days held.
Stable policy environment	20	5	Policy is fixed
Likely competition in the market for the project	2	0	In discussion with SFT the industry will be very keen to bid for this work.
TOTAL	100	28	

Note: Across all contributory factors, mitigation would be expected to be greater the greater the extent of risk quantification and risk management.

Appendix 5C
Capital Investment Plan

**NHS AYRSHIRE AND ARRAN
CAPITAL INVESTMENT PLAN (INCORPORATING BUILDING FOR BETTER CARE / NACH INCLUDING MENTAL HEALTH PRIORITIES
+ FUNDING CONTRIBUTIONS FROM SGHD AND OUTCOME FROM HALF YEAR REVIEW OF SLIPPAGE IN 2011/12)
PER CAPITAL PLAN APPROVED BY NHS BOARD AT MEETING ON 23 MARCH 2011 (LDP approved by SGHD end of March 2011)**

with all approved adjustments to allocations as per control total to month 7 2011/12

	Prior	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Grand
	Year	10/11	11/12	12/13	13/14	14/15	15/16	Total
	Actual	Actual	Projected	Estimate	Estimate	Estimate	Estimate	Plan
	£000	£000	£000	£000	£000	£000	£000	£000
Core Capital Allocation	21,783	22,114	5,524	5,524	5,524	5,524	5,524	49,734
Adjustment for assumed capital receipts		(1,216)	(232)					(1,448)
Brokerage 06/07 d'down defer to 08/09	3,203	-	-	-	-	-	-	0
Brokerage 07/08 d'down in 09/10&10/11	3,462	1,250	-	-	-	-	-	1,250
Brokerage from 10/11to11/12(PCCPMP)	-	(5,965)	5,965	0	-	-	-	0
Brokerage from 11/12 to12/13(PCCPMP)		(4,000)	(1,847)	1,847	2,740			0
Brokerage from 10/11to12/13&13/14(Gen)			-	1,260				0
Brokerage add req from 11/12 to 12/13			(5,598)	5,598				0
Revenue To Capital Transfer	396	270	500					770
EARMARKED ALLOCATIONS:-								
EME Supplementary Allocation	2,207	2,207	-	-	-	-	-	2,207
PCCPMP Fund 08/09 (North Ayr)	-	1,453	-	-	-	-	-	1,453
PCCPMP Fund 08/09 (Patna)	2,600	-	-	-	-	-	-	0
PCCPMP Fund 09/10	1,000	5,970	-	-	-	-	-	5,970
NSD Contribution to Breast Screen Ext.	983	-	-	-	-	-	-	0
NSD Contribution to Cochlear Equip	46	-	-	-	-	-	-	0
Central Energy Efficiency Fund (CEEF)	-	500	-	-	-	-	-	500
Decontamination units replacement	94	-	-	-	-	-	-	0
eHealth alloc from SGHD - infrastructure	161	740	-	-	-	-	-	740
eHealth allocNHSGG&C - infrastructure		406						406
eHealth alloc Prison Healthcare		47						47
LTC - SPARRA Patient Alerts		10	100					110
Pandemic Flu alloc for ICU ventilators	57							0
UK GAAP adjustment for PFI (AMU)		(252)						(252)
Capital Grants recharged to revenue		(571)	(229)					(800)

**NHS AYRSHIRE AND ARRAN
PROJECTED CAPITAL RECEIPTS FROM ASSET DISPOSAL PROGRAMME**

Prior Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
09/10	10/11	11/12	12/13	13/14	14/15	15/16
Actual	Actual	Projected	Estimate	Estimate	Estimate	Estimate
£000	£000	£000	£000	£000	£000	£000
-	-	75	-	-	-	-
-	43	-	-	-	-	-
-	-	82	-	-	-	-
-	75	-	-	-	-	-
-	90	-	-	-	-	-
0	208	157	0	0	0	0

Approved Disposals General

Mossblown Clinic (*)	-	75	-	-	-	-
Whitlets Clinic, Ayr (*)	-	-	-	-	-	-
Darvel Health Centre (*)	-	82	-	-	-	-
Wellington Chambers, Ayr (*)	-	-	-	-	-	-
Moorburn Road Clinic, Largs (*)	-	-	-	-	-	-
Sub-Total	0	157	0	0	0	0

Estate Rationalisation (NACH Business Case)

Davidson Cottage Hospital, Girvan(*)			200			
Girvan Health Centre(*)			50			
Former Patna Clinic(*)			50			
Former Crosshouse Clinic(*)			50			
Former Seafield Hospital(*)				1,500		
Ayrshire Central Surplus Land(*)				5,000		
Former Holmhead Hospital(*)			800			
Westmount			375			
Nightingale House			-	200		
Strathdoon Clinic			600			
Hartfield House			500			
Sub-Total	0	0	2,625	6,700	0	0

Other Proposed Estate Rationalisation (Ayr CH/OPD Business Case)

Strathlea			900			
Heathfield Store			300			
Heathfield House			200			
Heathfield Clinic			500			
Miller Road Clinic, Ayr			500			
Boyd Street Clinic, Prestwick			80			
Sub-Total	0	0	2,480	0	0	0

GRAND TOTAL CAPITAL RECEIPTS

0	208	157	5,105	6,700	0	0
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* Approved For Disposal

**NHS AYRSHIRE AND ARRAN
CAPITAL INVESTMENT PLAN (INCORPORATING BUILDING FOR BETTER CARE / NACH INCLUDING MENTAL HEALTH PRIORITIES
+ FUNDING CONTRIBUTIONS FROM SGHD AND OUTCOME FROM HALF YEAR REVIEW OF SLIPPAGE IN 2011/12)
PER CAPITAL PLAN APPROVED BY NHS BOARD AT MEETING ON 23 MARCH 2011 (LDP approved by SGHD end of March 2011)**

with all approved adjustments to allocations as per control total to month 7 2011/12

	Prior						Grand Total Plan £000
	Year 09/10 Actual £000	Year 0 10/11 Actual £000	Year 1 11/12 Projected £000	Year 2 12/13 Estimate £000	Year 3 13/14 Estimate £000	Year 4 14/15 Estimate £000	
A. FUNDING SOURCES							
Core Capital Allocation	21,783	22,114 (1,216)	5,524 (232)	5,524	5,524	5,524	49,734 (1,448)
Adjustment for assumed capital receipts	3,203	-	-	-	-	-	0
Brokerage 06/07 d'down defer to 08/09	3,462	1,250	-	-	-	-	1,250
Brokerage 07/08 d'down in 09/10&10/11	-	(5,965)	5,965	0	-	-	0
Brokerage from 10/11 to 11/12 (PCCPMP)	-	-	(1,847)	1,847	-	-	0
Brokerage from 11/12 to 12/13 (PCCPMP)	-	(4,000)	-	2,460	1,540	-	0
Brokerage from 10/11 to 12/13 & 13/14 (Gen)	-	-	(5,598)	5,598	-	-	0
Brokerage add req from 11/12 to 12/13	-	-	500	-	-	-	770
Revenue To Capital Transfer	396	270	-	-	-	-	0
EARMARKED ALLOCATIONS:-							
EME Supplementary Allocation	2,207	2,207	-	-	-	-	2,207
PCCPMP Fund 08/09 (North Ayr)	-	1,453	-	-	-	-	1,453
PCCPMP Fund 08/09 (Patna)	2,600	-	-	-	-	-	0
PCCPMP Fund 09/10	1,000	5,970	-	-	-	-	5,970
NSD Contribution to Breast Screen Ext.	983	-	-	-	-	-	0
NSD Contribution to Cochlear Equip	46	-	-	-	-	-	0
Central Energy Efficiency Fund (CEEF)	-	500	-	-	-	-	500
Decontamination units replacement	94	-	-	-	-	-	0
eHealth alloc from SGHD - infrastructure	161	740	-	-	-	-	740
eHealth alloc NHS GG&C - infrastructure	-	406	-	-	-	-	406
eHealth alloc Prison Healthcare	-	47	-	-	-	-	47
LTC - SPARRA Patient Alerts	-	10	100	-	-	-	110
Pandemic Flu alloc for ICU ventilators	57	-	-	-	-	-	0
UK GAAP adjustment for PFI (AMU)	-	(252)	-	-	-	-	(252)
Capital Grants recharged to revenue	-	(571)	(229)	-	-	-	(800)

6. Other Elements:-

Non-Value Adding - recharge to rev	(3,604)	(3,298)	(500)	(300)	-	-	-	(4,098)
Capital Grants - recharge to rev		(571)	(229)					(800)
Capital to Save on Revenue Alloc	773	2,469	-	-	126	146		2,741
Revenue To Capital Allocation	22	-	-	-	-	-		0
Grouped equipment	600	600	248	248	248	248		1,840
Sub-Total Other Elements	(2,209)	(800)	(481)	(52)	248	374	394	(317)
Total Planned Expenditure	36,135	23,171	4,352	17,297	15,661	18,283	18,625	97,389
Less: Receipts for Asset Sales(sch. att.)	-	(208)	(157)	(5,105)	(6,700)	-	-	(12,170)
Less: Overcommitment(assumedslippage)	0	-	(12)	-	-	-	-	(12)
Add: Overcommitment (shortfall prior year)	12	0	-	12	-	-	-	12
Contingency/Balance Available	-	-	-	300	600	756	500	2,156
Total Planned Expenditure Net of Sales	36,147	22,963	4,183	12,504	9,561	19,039	19,125	87,375
DEFICIT / (SURPLUS)	0	0	0	0	0	0	0	0

NACH PROJECT - PROFILE OF NPD EXPENDITURE

Contracting Consortium - Design / Build costs

Note - North Ayr Primary Care Neighbourhood Services project terminated following withdrawal by South Ayrshire Council.

£1.310m PCCPMP funding from this project (£1.453m less £143k fees incurred), together with £2.220m for Ardrossan Resource Centre (being effected by 3rd party route), £1.368m for Dental Improvements in the Ayr area (£2.220m less £0.8m applied for Dental Decontamination Grants and a £0.052m underspend in 10/11), along with £0.808m (after reinstating £0.570m originally to be applied in favour of EACH Dental in 11/12) from Board funding, is to be applied in favour of planned Ayr Community Health / Out Patient project to give a total allocation of £5.706m for the six main elements subject to individual business cases.

Note- Planned EACH Dental Variation aborted in August 2011. Capital costs totalling £794k (09/10 £203k, 10/11 £591k) incurred as Work In Progress (WIP) has been written off as abortive costs to revenue account after adjusting for £150k value adding costs for permanent work effected (car park, door widening and floor improvements). The assumed cost of £227k non value adding expenditure for the NHS Board share of reinstatement work has also been written off to revenue. Capital funding for these costs met out of the £2.530m PCCPMP allocation from SGHD leaving a balance of £1.5m from the PCCPMP allocation for other Dental Improvements in Cumnock & surrounding area and additional provision has been made for up to £150k value adding elements in the reinstatement work. The £570k internal funding transfer from the Ayr Community Health / Out Patient project in favour of the EACH Dental project as part of the £3.1m total allocation, has been returned to the Ayr project.

50,953

7,713

20,416

17,240

5,584

19,125

18,625

97,389

**NHS AYRSHIRE AND ARRAN
PROJECTED CAPITAL RECEIPTS FROM ASSET DISPOSAL PROGRAMME**

Prior Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
09/10	10/11	11/12	12/13	13/14	14/15	15/16
Actual	Actual	Projected	Estimate	Estimate	Estimate	Estimate
£000	£000	£000	£000	£000	£000	£000
Approved Disposals General						
-	-	75	-	-	-	-
-	43	-	-	-	-	-
-	-	82	-	-	-	-
-	75	-	-	-	-	-
-	90	-	-	-	-	-
0	208	157	0	0	0	0
Sub-Total						

Estate Rationalisation (NACH Business Case)

Davidson Cottage Hospital, Girvan(*)			200			
Girvan Health Centre(*)			50			
Former Patna Clinic(*)			50			
Former Crosshouse Clinic(*)			50			
Former Seafield Hospital(*)				1,500		
Ayrshire Central Surplus Land(*)				5,000		
Former Holmhead Hospital(*)			800			
Westmount			375			
Nightingale House			-	200		
Strathdoon Clinic			600			
Hartfield House			500			
Sub-Total	0	0	2,625	6,700	0	0

Other Proposed Estate Rationalisation(Ayr CH/OPD Business Case)

Strathlea			900			
Heathfield Store			300			
Heathfield House			200			
Heathfield Clinic			500			
Miller Road Clinic, Ayr			500			
Boyd Street Clinic, Prestwick			80			
Sub-Total	0	0	2,480	0	0	0

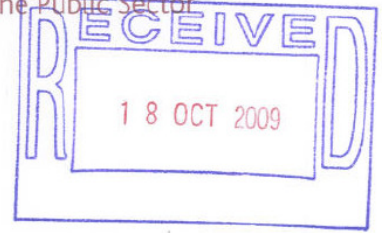
GRAND TOTAL CAPITAL RECEIPTS

0	208	157	5,105	6,700	0	0
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* Approved For Disposal

Appendix 5D

District Valuer Letter



**DV Services
Glasgow Office**

Portcullis House
21 India Street
Glasgow
G2 4JJ

Our Reference : 1060443/GS
Your Reference :

Please ask for : G Speers
Tel : 03000 502771
Fax : 03000 502758
E Mail : gerard.speers@voa.gsi.gov.uk

Date : 13 October 2010

Mr Stuart Sanderson
Assistant Director of Finance-Planning & Efficiency
NHS Ayrshire and Arran
Crosshouse Hospital
1 Lister St
Kilmarnock
KA2 0BE

Dear Sir,

**OUTLINE BUSINESS CASE
NORTH AYRSHIRE COMMUNITY HOSPITAL, IRVINE**

Regarding the OBC which is being prepared for the above project, I have been requested to comment on possible future impairment that may arise when the new asset is valued after it has been completed.

As discussed, it is very difficult to predict cost indices so far into the future but it can be reasonably expected that construction activity in the public sector will probably decline in the next few years due to spending cutbacks. However I would agree that depending on the severity of any downturn in cost indices in the years ahead due to this expected lower activity in public sector construction then the range of 3%-7% as an estimate for possible AME may be regarded as reasonable.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Gerard Speers".

Gerard Speers MA MRICS
District Valuer Services

Appendix 5E

Sensitivity Analysis using Treasury Model

NHS AYRSHIRE AND ARRAN

NACH - OPTION 2A - NPD Procurement Route - New Build and Refurb at Ayrshire Central / Refurb at Ailsa

SENSITIVITY ANALYSIS USING TREASURY MODEL

	Baseline	SENSITIVITIES					
	Refreshed OBC	Variable RPI			Swap Rate		Worst Case
		5.00% RPI Sensitivity	3.00% RPI Sensitivity	2.00% RPI Sensitivity	+1%	-1%	+10% to Capital
NPD CAPEX	£50,954,000	£50,954,000	£50,954,000	£50,954,000	£50,954,000	£50,954,000	£56,049,400
Lifecycle	£415,700	£415,700	£415,700	£415,700	£415,700	£415,700	£457,270
Hard FM	£665,000	£665,000	£665,000	£665,000	£665,000	£665,000	£731,500
Swap Rate	3.75%	3.75%	3.75%	3.75%	4.75%	2.75%	3.75%
Bank Margin	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
RPI	2.50%	5.00%	3.00%	2.00%	2.50%	2.50%	2.50%
Unitary Charge per Treasury Model	£6,200,000	£6,100,000	£6,200,000	£6,200,000	£6,600,000	£5,800,000	£6,800,000
<u>NHS Board Contribution</u>							
50% of Lifecycle	£207,850	£207,850	£207,850	£207,850	£207,850	£207,850	£228,635
100% of Hard FM	£665,000	£665,000	£665,000	£665,000	£665,000	£665,000	£731,500
Sub-Total Board Contribution	£872,850	£872,850	£872,850	£872,850	£872,850	£872,850	£960,135
<u>SGHD Contribution</u>							
50% Lifecycle	£207,850	£207,850	£207,850	£207,850	£207,850	£207,850	£228,635
100% Unitary Charge	£5,119,300	£5,019,300	£5,119,300	£5,119,300	£5,519,300	£4,719,300	£5,611,230
Sub-Total SGHD Contribution	£5,327,150	£5,227,150	£5,327,150	£5,327,150	£5,727,150	£4,927,150	£5,839,865
TOTAL Unitary Charge	£6,200,000	£6,100,000	£6,200,000	£6,200,000	£6,600,000	£5,800,000	£6,800,000
NPV of the Unitary Charge over the duration of the project concession	£60,519,191	£72,100,024	£62,851,484	£58,351,523	£67,711,010	£53,327,372	£66,211,519

Appendix 5F

Unitary Charge as per Treasury Model

AYRSHIRE AND ARRAN HEALTH BOARD

NACH - OPTION 2A - NPD Procurement Route - New Build and Refurb at Ayrshire Central / Refurb at Ailsa

UNITARY CHARGE AS PER TREASURY MODEL BASED ON £50.954M CAPITAL COST

Year	Baseline Refreshed OBC		
	30% Indexed @2.5% £	70% Not Indexed £	TOTAL £
1	1,860,000	4,340,000	6,200,000
2	1,906,500	4,340,000	6,246,500
3	1,954,163	4,340,000	6,294,163
4	2,003,017	4,340,000	6,343,017
5	2,053,092	4,340,000	6,393,092
6	2,104,419	4,340,000	6,444,419
7	2,157,030	4,340,000	6,497,030
8	2,210,956	4,340,000	6,550,956
9	2,266,229	4,340,000	6,606,229
10	2,322,885	4,340,000	6,662,885
11	2,380,957	4,340,000	6,720,957
12	2,440,481	4,340,000	6,780,481
13	2,501,493	4,340,000	6,841,493
14	2,564,031	4,340,000	6,904,031
15	2,628,131	4,340,000	6,968,131
16	2,693,835	4,340,000	7,033,835
17	2,761,180	4,340,000	7,101,180
18	2,830,210	4,340,000	7,170,210
19	2,900,965	4,340,000	7,240,965
20	2,973,489	4,340,000	7,313,489
21	3,047,827	4,340,000	7,387,827
22	3,124,022	4,340,000	7,464,022
23	3,202,123	4,340,000	7,542,123
24	3,282,176	4,340,000	7,622,176
25	3,364,230	4,340,000	7,704,230

SENSITIVITIES								
VARIABLE RPI								
5% RPI Sensitivity			3% RPI Sensitivity			2% RPI Sensitivity		
30% Indexed @5.0% £	70% Not Indexed £	TOTAL £	30% Indexed @3.0% £	70% Not Indexed £	TOTAL £	30% Indexed @2.0% £	70% Not Indexed £	TOTAL £
1,830,000	4,270,000	6,100,000	1,860,000	4,340,000	6,200,000	1,860,000	4,340,000	6,200,000
1,921,500	4,270,000	6,191,500	1,915,800	4,340,000	6,255,800	1,897,200	4,340,000	6,237,200
2,017,575	4,270,000	6,287,575	1,973,274	4,340,000	6,313,274	1,935,144	4,340,000	6,275,144
2,118,454	4,270,000	6,388,454	2,032,472	4,340,000	6,372,472	1,973,847	4,340,000	6,313,847
2,224,376	4,270,000	6,494,376	2,093,446	4,340,000	6,433,446	2,013,324	4,340,000	6,353,324
2,335,595	4,270,000	6,605,595	2,156,250	4,340,000	6,496,250	2,053,590	4,340,000	6,393,590
2,452,375	4,270,000	6,722,375	2,220,937	4,340,000	6,560,937	2,094,662	4,340,000	6,434,662
2,574,994	4,270,000	6,844,994	2,287,565	4,340,000	6,627,565	2,136,555	4,340,000	6,476,555
2,703,743	4,270,000	6,973,743	2,356,192	4,340,000	6,696,192	2,179,286	4,340,000	6,519,286
2,838,931	4,270,000	7,108,931	2,426,878	4,340,000	6,766,878	2,222,872	4,340,000	6,562,872
2,980,877	4,270,000	7,250,877	2,499,684	4,340,000	6,839,684	2,267,330	4,340,000	6,607,330
3,129,921	4,270,000	7,399,921	2,574,675	4,340,000	6,914,675	2,312,676	4,340,000	6,652,676
3,286,417	4,270,000	7,556,417	2,651,915	4,340,000	6,991,915	2,358,930	4,340,000	6,698,930
3,450,738	4,270,000	7,720,738	2,731,473	4,340,000	7,071,473	2,406,108	4,340,000	6,746,108
3,623,275	4,270,000	7,893,275	2,813,417	4,340,000	7,153,417	2,454,230	4,340,000	6,794,230
3,804,439	4,270,000	8,074,439	2,897,819	4,340,000	7,237,819	2,503,315	4,340,000	6,843,315
3,994,660	4,270,000	8,264,660	2,984,754	4,340,000	7,324,754	2,553,381	4,340,000	6,893,381
4,194,394	4,270,000	8,464,394	3,074,297	4,340,000	7,414,297	2,604,449	4,340,000	6,944,449
4,404,113	4,270,000	8,674,113	3,166,525	4,340,000	7,506,525	2,656,538	4,340,000	6,996,538
4,624,319	4,270,000	8,894,319	3,261,521	4,340,000	7,601,521	2,709,669	4,340,000	7,049,669
4,855,535	4,270,000	9,125,535	3,359,367	4,340,000	7,699,367	2,763,862	4,340,000	7,103,862
5,098,312	4,270,000	9,368,312	3,460,148	4,340,000	7,800,148	2,819,139	4,340,000	7,159,139
5,353,227	4,270,000	9,623,227	3,563,952	4,340,000	7,903,952	2,875,522	4,340,000	7,215,522
5,620,888	4,270,000	9,890,888	3,670,871	4,340,000	8,010,871	2,933,033	4,340,000	7,273,033
5,901,933	4,270,000	10,171,933	3,780,997	4,340,000	8,120,997	2,991,693	4,340,000	7,331,693

AYRSHIRE AND ARRAN HEALTH BOARD

NACH - OPTION 2A - NPD Procurement Route - New Build and Refurb at Ayrshire Central / Refurb at Ailsa

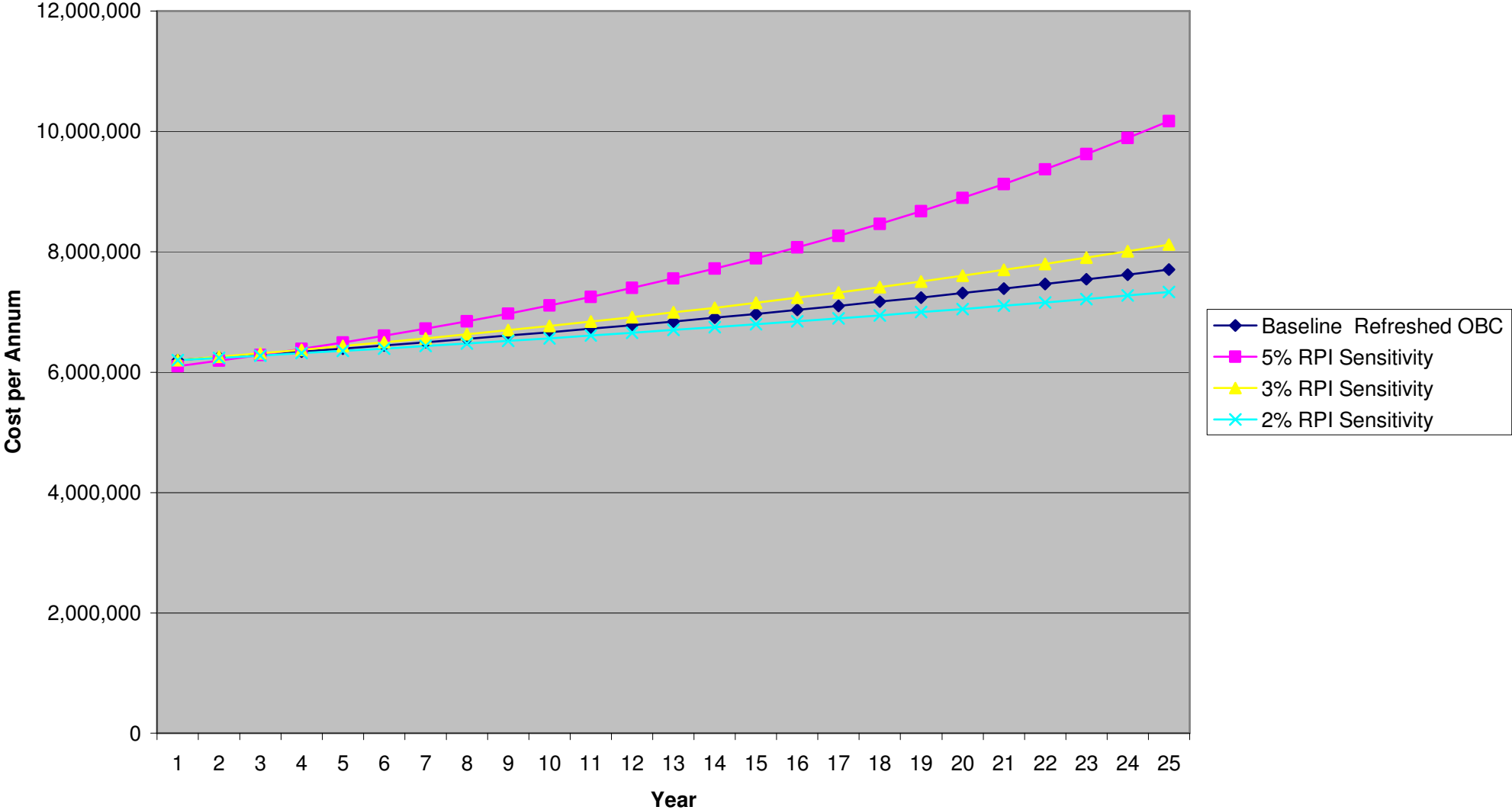
UNITARY CHARGE AS PER TREASURY MODEL BASED ON £50.954M CAPITAL COST (CONT'D)

Year	SENSITIVITIES								
	Swap Rate						Worst Case		
	Swap Rate +1%			Swap Rate -1%			+10% to Capital Cost		
	30% Indexed @2.5% £	70% Not Indexed £	TOTAL £	30% Indexed @2.5% £	70% Not Indexed £	TOTAL £	30% Indexed @2.5% £	70% Not Indexed £	TOTAL £
1	1,980,000	4,620,000	6,600,000	1,740,000	4,060,000	5,800,000	2,040,000	4,760,000	6,800,000
2	2,029,500	4,620,000	6,649,500	1,783,500	4,060,000	5,843,500	2,091,000	4,760,000	6,851,000
3	2,080,238	4,620,000	6,700,238	1,828,088	4,060,000	5,888,088	2,143,275	4,760,000	6,903,275
4	2,132,243	4,620,000	6,752,243	1,873,790	4,060,000	5,933,790	2,196,857	4,760,000	6,956,857
5	2,185,550	4,620,000	6,805,550	1,920,634	4,060,000	5,980,634	2,251,778	4,760,000	7,011,778
6	2,240,188	4,620,000	6,860,188	1,968,650	4,060,000	6,028,650	2,308,073	4,760,000	7,068,073
7	2,296,193	4,620,000	6,916,193	2,017,867	4,060,000	6,077,867	2,365,775	4,760,000	7,125,775
8	2,353,598	4,620,000	6,973,598	2,068,313	4,060,000	6,128,313	2,424,919	4,760,000	7,184,919
9	2,412,438	4,620,000	7,032,438	2,120,021	4,060,000	6,180,021	2,485,542	4,760,000	7,245,542
10	2,472,749	4,620,000	7,092,749	2,173,022	4,060,000	6,233,022	2,547,680	4,760,000	7,307,680
11	2,534,567	4,620,000	7,154,567	2,227,347	4,060,000	6,287,347	2,611,372	4,760,000	7,371,372
12	2,597,932	4,620,000	7,217,932	2,283,031	4,060,000	6,343,031	2,676,657	4,760,000	7,436,657
13	2,662,880	4,620,000	7,282,880	2,340,107	4,060,000	6,400,107	2,743,573	4,760,000	7,503,573
14	2,729,452	4,620,000	7,349,452	2,398,609	4,060,000	6,458,609	2,812,163	4,760,000	7,572,163
15	2,797,688	4,620,000	7,417,688	2,458,574	4,060,000	6,518,574	2,882,467	4,760,000	7,642,467
16	2,867,630	4,620,000	7,487,630	2,520,039	4,060,000	6,580,039	2,954,528	4,760,000	7,714,528
17	2,939,321	4,620,000	7,559,321	2,583,040	4,060,000	6,643,040	3,028,391	4,760,000	7,788,391
18	3,012,804	4,620,000	7,632,804	2,647,616	4,060,000	6,707,616	3,104,101	4,760,000	7,864,101
19	3,088,124	4,620,000	7,708,124	2,713,806	4,060,000	6,773,806	3,181,704	4,760,000	7,941,704
20	3,165,327	4,620,000	7,785,327	2,781,651	4,060,000	6,841,651	3,261,246	4,760,000	8,021,246
21	3,244,461	4,620,000	7,864,461	2,851,193	4,060,000	6,911,193	3,342,778	4,760,000	8,102,778
22	3,325,572	4,620,000	7,945,572	2,922,472	4,060,000	6,982,472	3,426,347	4,760,000	8,186,347
23	3,408,711	4,620,000	8,028,711	2,995,534	4,060,000	7,055,534	3,512,006	4,760,000	8,272,006
24	3,493,929	4,620,000	8,113,929	3,070,423	4,060,000	7,130,423	3,599,806	4,760,000	8,359,806
25	3,581,277	4,620,000	8,201,277	3,147,183	4,060,000	7,207,183	3,689,801	4,760,000	8,449,801

Appendix 5G

RPI Sensitivity Analysis v Baseline Refreshed OBC

RPI Sensitivity Analysis v Baseline Refreshed OBC



Appendix 5H

Swap Rate/Worst Case Sensitivity Analysis
v Baseline Refreshed OBC

Swap Rate/Worst Case Sensitivity Analysis v Baseline Refreshed OBC

